Bulgarization: How National Independence Became Financial Dependence

From the Ottoman Empire to the Empire of Debt

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Abstract:

This article shows that Bulgarization is not merely a Bulgarian phenomenon but a conceptual model for understanding how modern empires reproduce themselves without colonies. Bulgarization describes the transformation of political liberation into financial dependence, of national sovereignty into sovereign collateral, and of patriotic independence into a permanent cycle of borrowing, restructuring, default and renewed indebtedness. It unites Todorova's Balkanism, Kyosev's self-colonizing cultures, and the political economy of sovereign debt into a single historical process. The West first invents the image of Balkan backwardness, local elites internalise that image and seek to escape it through imitation, and international finance transforms that desire into a profitable mechanism of permanent indebtedness. The empire changes its language, its institutions and even its ideology, but not its function. It no longer conquers nations. It finances them. It no longer occupies territory. It manages obligations. The history of Bulgaria since 1878 therefore suggests that the greatest achievement of modern empire was not the abolition of sovereignty but its financialisation. Independence did not end empire. It became one of empire's most successful inventions.

Keywords: Bulgarization, Balkanism, Orientalism, National Independence, Self-colonizing cultures

Introduction: The Nation That Borrowed Its Freedom

Every nation possesses two histories. The first is written in monuments, school textbooks, patriotic speeches and national holidays. It celebrates heroes, battles, revolutions and declarations of independence. The second history is written in ledgers, bank contracts, sovereign bonds, debt restructurings and bankruptcy agreements. One tells the story of freedom; the other records the price paid for it. Rarely do these two histories coincide. Even more rarely do historians attempt to read them together. Yet the modern history of Bulgaria cannot be understood without recognising that its political liberation and its financial dependence emerged almost simultaneously. The creation of the Bulgarian state after 1878 did not simply mark the end of Ottoman rule. It marked the beginning of another form of imperial integration — one organised not by armies or governors but by international finance, sovereign debt and the expanding capital markets of nineteenth-century Europe. The nation became politically independent precisely when it entered the global financial system. From that moment onward, the struggle for sovereignty increasingly unfolded not on battlefields but in negotiations with foreign creditors.

Conventional national history presents Bulgarian independence as the triumphant restoration of a medieval state after nearly five centuries of Ottoman domination. The Russo-Turkish War of 1877–1878, the Treaty of San Stefano, the Congress of Berlin, the Unification of 1885 and the Declaration of Independence in 1908 are rightly remembered as decisive milestones in the construction of the modern Bulgarian nation. Yet another chronology runs silently alongside this familiar narrative. In 1878 the newly created principality inherited enormous administrative responsibilities but almost none of the financial resources necessary to fulfil them. Railways had to be constructed, ministries organised, schools established, courts financed, bridges built, barracks erected, ports modernised and an entirely new bureaucracy maintained. The symbols of sovereignty required capital long before they generated wealth. Unlike the great imperial powers, Bulgaria possessed no accumulated financial markets capable of funding this transformation internally. Political independence therefore entered history hand in hand with external borrowing. Only ten years after liberation, the Bulgarian state negotiated its first major sovereign loan through the Viennese banking house Länderbank in order to finance railway construction and modern infrastructure. During the following decades further borrowing from Austrian, French and German financial institutions gradually integrated the young nation into the expanding international bond markets of Europe.

This coincidence between liberation and indebtedness was not uniquely Bulgarian. Throughout the nineteenth century the emerging international financial order increasingly accompanied the birth of nation-states. Political sovereignty gave governments something unprecedented: the legal authority to issue sovereign debt in their own name. An empire ruled provinces directly; an independent state could mortgage its future. The very institutions created to express national freedom — the parliament, the treasury, the central administration and the taxation system — also enabled governments to borrow against future generations. Sovereignty itself became financial collateral. The state acquired a flag, an army and diplomatic recognition, but simultaneously entered a contractual relationship with international capital that would shape its history for the next century and a half. Every subsequent government inherited obligations negotiated by its predecessors, while each political crisis produced another cycle of loans, restructuring, default or refinancing. The continuity of debt gradually proved stronger than the discontinuity of regimes.

The remarkable feature of Bulgarian history is therefore not simply the persistence of indebtedness but the extraordinary succession of political systems through which it survived. Constitutional monarchy borrowed to build the modern state and finance military ambitions. The Balkan Wars and the First World War generated enormous debts followed by punitive reparations under the Treaty of Neuilly. The authoritarian governments of the interwar period renegotiated these burdens while seeking new external financing. The socialist regime that came to power after the Second World War officially proclaimed the abolition of capitalism, yet repeatedly depended upon external borrowing, secretly sold the national gold reserves to overcome the debt crisis of 1960, accumulated another wave of Western loans during the 1970s and ultimately collapsed beneath an external debt of more than ten billion dollars in 1989. The post-communist governments defaulted again in 1990, accepted restructuring through international financial institutions, introduced the Currency Board in 1997 and gradually surrendered independent monetary policy while integrating into the European financial system. Monarchy, authoritarianism, socialism, liberal democracy and European integration appear radically different when viewed politically. Financially they form one remarkably continuous historical sequence.

This article proposes a name for this recurring historical mechanism: Bulgarization. Bulgarization does not describe Bulgarian history alone. It identifies a broader political-economic process through which newly independent states repeatedly transform political sovereignty into long-term financial dependence. Every regime promises national renewal while financing its legitimacy through new borrowing. Every generation inherits obligations accumulated by previous governments. Every crisis produces another restructuring rather than genuine independence. Political ideologies change; creditors change; geopolitical alliances change; even empires themselves change. Yet the expanding architecture of sovereign debt survives them all. The empire does not disappear. It merely changes its clothing. During the nineteenth century it appeared as dynastic monarchy. During the twentieth century it appeared as competing ideological blocs. During the twenty-first century it increasingly appears as international finance, global capital markets and supranational monetary institutions. Bulgaria's history from 1878 to 2026 offers perhaps one of the clearest illustrations of this transformation. The nation won its political freedom from one empire only to discover that another empire had already opened the ledger.

Part I: The First Loan: When the Nation Met the Bank

History often presents empires as territorial organisms. They occupy land, station armies, appoint governors and collect taxes through visible institutions of power. Yet the nineteenth century witnessed a transformation as profound as the transition from feudalism to industrial capitalism. The great European empires increasingly discovered that direct occupation was expensive, politically unstable and economically inefficient. Railways, telegraphs, international banking, insurance companies and sovereign bond markets created a new architecture of imperial expansion that required far fewer soldiers than accountants. Financial capital could now travel much faster than armies. The nation-state itself became one of its preferred instruments. Instead of governing provinces directly, financial empires increasingly preferred politically independent states capable of borrowing in their own names while remaining permanently integrated into international capital markets. Independence was not abolished. On the contrary, it became indispensable. Only sovereign governments could issue sovereign debt. The birth of modern nationalism therefore coincided almost perfectly with the emergence of modern international finance. This coincidence was not accidental. It represented one of the most successful institutional innovations in the history of empire.

Bulgaria illustrates this transformation with remarkable clarity. The Liberation of 1878 is traditionally interpreted as the moment when the Bulgarian nation escaped nearly five centuries of Ottoman domination. Politically this narrative remains entirely justified. Financially, however, another story began almost simultaneously. The Treaty of Berlin created a politically autonomous principality, but autonomy itself immediately generated enormous financial obligations. A modern European state required ministries, courts, municipal administrations, customs offices, diplomatic services, schools, hospitals, barracks, roads, ports and, above all, railways capable of integrating the fragmented territory into a functioning national economy. None of these institutions could be constructed through patriotic enthusiasm alone. They required capital. Yet Bulgaria possessed almost no domestic banking sector capable of financing industrial-scale public investment. The very success of the national liberation

movement therefore created conditions under which external borrowing became almost inevitable. Political sovereignty arrived together with structural financial dependence.

The irony becomes particularly striking when one follows the chronology. During the first years after liberation, Bulgaria successfully avoided assuming a significant portion of the Ottoman Empire's enormous foreign debt despite provisions within the Berlin settlement that anticipated such negotiations. Through diplomatic delay, changing geopolitical circumstances and later Russian mediation surrounding the declaration of full independence in 1908, the young Bulgarian state largely escaped inheriting the financial liabilities of the collapsing Ottoman Empire. This appeared to represent an extraordinary financial victory. Yet scarcely had one debt been avoided before another began. Instead of servicing Ottoman obligations, Bulgaria entered the European capital markets as a sovereign borrower in its own right. In 1888, barely ten years after liberation, the state negotiated its first major international loan through the Viennese Länderbank in order to finance railway construction and other infrastructural projects. A nation that had escaped one imperial ledger quietly signed another.

From this point onward the logic became self-reinforcing. Every successful infrastructure project required additional infrastructure. Every railway demanded stations, maintenance facilities and new connecting lines. Every military reform required imported equipment financed through foreign credits. Every administrative expansion enlarged the permanent budget. Borrowing itself became institutionalised as an ordinary instrument of statecraft. By the beginning of the twentieth century Bulgaria had already entered the financial circuits connecting Vienna, Paris, Berlin and other European banking centres. The restructuring of public debt in 1902 through major French loans demonstrated that sovereign borrowing had become an accepted mechanism for financing national development. Tobacco monopolies and other state revenues increasingly functioned not merely as domestic economic institutions but as guarantees offered to international creditors. National sovereignty gradually acquired a second meaning. It became the legal capacity to pledge future public income as collateral.

The Balkan Wars and the First World War intensified this transformation dramatically. Military mobilisation required resources far exceeding ordinary government revenues. Governments throughout Europe increasingly financed warfare through borrowing rather than taxation alone, thereby transferring the cost of present conflicts onto future generations. Bulgaria proved no exception. Even before entering the First World War, substantial debts from the Balkan conflicts burdened the national budget. When Bulgaria eventually joined the Central Powers, German banking syndicates became central financial partners. The famous loan led by the Disconto-Gesellschaft did not merely provide military financing. It also carried extensive economic concessions involving railways, mineral resources and strategic infrastructure. Debt became geopolitical alignment expressed through finance. Economic dependence and diplomatic orientation increasingly reinforced one another.

Military defeat transformed borrowing into permanent obligation. The Treaty of Neuilly imposed enormous reparations upon Bulgaria that fundamentally altered the country's financial trajectory for decades. Reparations differed from ordinary sovereign loans because they produced obligations without corresponding productive investment. Railways could generate future economic returns. Reparations generated only fiscal pressure. The state therefore entered the interwar period burdened simultaneously by inherited development loans, wartime borrowing and externally imposed compensation payments. Successive governments devoted

enormous political energy to restructuring, refinancing and renegotiating these obligations while attempting to preserve economic stability. National politics increasingly revolved around international finance even when public discourse focused upon territory, ideology or constitutional reform.

What makes this period historically significant is not simply the accumulation of debt but the transformation of the very meaning of independence. Classical nationalism imagined sovereignty primarily as freedom from foreign political domination. Yet financial dependence introduced a subtler form of external influence. Creditors possessed no governors, no occupying armies and no imperial administrators. They required only contractual obligations enforceable through international financial reputation and future access to capital markets. The state remained formally independent while progressively integrating itself into external financial disciplines. Political flags changed. Financial obligations remained. Independence ceased to mean economic autonomy and increasingly came to signify something else entirely: the internationally recognised authority to borrow, tax and repay.

Here one begins to glimpse the deeper historical mechanism that this article calls Bulgarization. The newly independent nation does not simply replace one empire with another. Rather, the very achievement of sovereignty creates the institutional conditions through which financial empire can operate far more efficiently than territorial empire ever could. The Ottoman governor disappears. The bondholder arrives. Military occupation gives way to sovereign credit. The empire has not retreated. It has merely exchanged uniforms for contracts, governors for bankers and fortresses for ledgers. The first foreign loan therefore marks something much greater than an economic event. It announces the arrival of a new imperial order in which political independence itself becomes the indispensable foundation of long-term financial dependence.

Part II: The Empire Changes Clothes: From Kings to Commissars, from Commissars to Bankers

If the first decades after Liberation reveal how political sovereignty became inseparable from international finance, the twentieth century demonstrates something even more remarkable. Governments collapse, constitutions disappear, dynasties end, revolutions triumph, monarchies become republics, fascism replaces parliament, communism abolishes capitalism, liberal democracy defeats communism and European integration supersedes national economic policy. Everything appears to change. Yet beneath this extraordinary succession of political transformations one institution quietly survives every ideological revolution: sovereign debt. The creditors change, the currencies change, the flags change and the speeches change, but the financial architecture remains astonishingly continuous. Bulgaria's twentieth century therefore offers an unusual historical laboratory. Almost every major political ideology was implemented within little more than one hundred years, yet none escaped the recurring logic of external borrowing, financial dependency, restructuring and renewed indebtedness. If political history appears discontinuous, financial history reveals an almost uninterrupted line.

The First World War ended not merely with military defeat but with financial devastation. The reparations imposed through the Treaty of Neuilly added enormous burdens to a state already weakened by wartime borrowing and economic exhaustion. Throughout the interwar period

successive governments attempted to stabilise the economy while renegotiating inherited obligations and searching for new foreign capital. Germany increasingly became Bulgaria's principal trading partner, absorbing a large proportion of Bulgarian exports while simultaneously expanding its economic influence throughout Southeastern Europe. Long before tanks crossed borders, finance had already redrawn the geopolitical map. Economic dependency quietly prepared political dependency. Once again debt functioned not merely as an economic instrument but as a mechanism through which larger powers shaped the strategic orientation of smaller states.

The Second World War appeared to interrupt this process. Instead of becoming dependent upon foreign loans, Bulgaria increasingly became integrated into the German wartime economic system through clearing agreements that postponed actual cash settlements. Agricultural products, tobacco and raw materials flowed toward Germany while payments accumulated within accounting mechanisms that existed largely on paper. When the Third Reich collapsed, enormous German obligations toward Bulgaria vanished almost overnight together with the regime that had guaranteed them. Once again political catastrophe immediately translated into financial catastrophe. The lesson was brutal but revealing. Financial dependence always outlived political alliances because debts were ultimately embedded within changing imperial structures rather than permanent national interests.

The communist revolution of 1944 promised precisely the opposite future. Marxism-Leninism declared that capitalism had been abolished, foreign financial domination defeated and socialist planning would replace the anarchy of international markets. Official ideology portrayed Bulgaria as liberated not only from fascism but from the exploitative mechanisms of global finance itself. Yet history took a profoundly ironic direction. Despite proclaiming the end of capitalism, the socialist state soon encountered exactly the same structural problem that had confronted the monarchy decades earlier. Industrialisation required technology. Technology required hard currency. Hard currency required either exports or foreign credit. Ideology could not abolish arithmetic. It merely renamed it.

The first great financial crisis of socialist Bulgaria emerged surprisingly early. During the late 1950s the leadership under Todor Zhivkov secretly accumulated obligations toward Western creditors while attempting to accelerate industrial modernisation. The experiment failed. Newly constructed industries generated insufficient hard currency to service these debts, pushing the country toward insolvency by 1960. The solution became one of the most extraordinary episodes in modern Bulgarian financial history. Rather than publicly declaring bankruptcy, Zhivkov secretly transferred and effectively liquidated approximately twenty-two tonnes of Bulgaria's gold reserves through the Soviet Union, allowing outstanding obligations to Western creditors to be settled while avoiding an international financial scandal. The first communist bankruptcy therefore remained almost invisible. Officially socialism had defeated capitalism. Financially it had survived only because another empire intervened. The creditor changed. The mechanism did not.

The pattern repeated itself with even greater intensity during the 1970s. Seeking to modernise Bulgarian industry through imported Western technology, the communist government dramatically expanded borrowing from commercial banks in West Germany, France, Britain and Japan. The period of détente encouraged unprecedented financial cooperation between East and West, and Bulgaria enthusiastically entered the international credit markets despite its

socialist rhetoric. External debt expanded severalfold within less than a decade. By the late 1970s Bulgaria had accumulated one of the highest debt burdens relative to economic output among all COMECON countries. Once again the regime faced structural insolvency. Yet once again bankruptcy was postponed rather than resolved. This time salvation came not through gold but through geopolitics. Leonid Brezhnev's Soviet Union supplied Bulgaria with subsidised crude oil that could be refined and resold to Western Europe at world prices, generating precisely the hard currency required to continue servicing Western bank loans. Socialist resources paid capitalist creditors. Moscow effectively subsidised Bulgaria's participation in the Western financial system. Empire financed empire.

This arrangement functioned only as long as the Soviet Union itself remained willing to absorb its enormous costs. Mikhail Gorbachev fundamentally altered this equilibrium during the second half of the 1980s. The famous remark that "friendship is friendship, but cheese is money" symbolised the end of decades of subsidised economic relations within the Eastern Bloc. Cheap oil deliveries were reduced, agricultural subsidies disappeared and trade increasingly shifted toward commercial rather than political principles. At almost exactly the same moment Bulgaria experienced a severe collapse in agricultural production, further reducing its capacity to earn foreign currency through exports. Bereft of Soviet subsidies and confronted with rapidly deteriorating external accounts, the government responded in the only way it had repeatedly employed throughout modern history: it borrowed more. External debt exploded, eventually exceeding ten billion dollars by 1989. When the communist regime collapsed only months later, the incoming government inherited obligations that it could no longer service. In March 1990 Bulgaria declared a moratorium on external debt payments, effectively defaulting once again.

The post-communist transition is usually presented as the moment Bulgaria finally entered the free market. Financially, however, it represented another restructuring rather than a beginning. Negotiations with the London Club and the Paris Club reorganised inherited debts. International financial institutions became increasingly influential in domestic economic policy. The catastrophic banking and currency crisis of 1996–1997 culminated in the introduction of the Currency Board, effectively removing independent monetary policy from the Bulgarian National Bank. The lev — the lion, perhaps the strongest symbol of Bulgarian sovereignty — ceased to function as an autonomous national currency and became rigidly anchored first to the German Deutschmark and later to the euro. Political sovereignty remained intact. Monetary sovereignty largely disappeared.

The symbolism is almost impossible to ignore. The nineteenth century national revival imagined independence through flags, constitutions, kings and liberated territory. More than a century later the state retained all these political symbols while surrendering one of the oldest practical attributes of sovereignty: independent control over money itself. The empire had changed once again. It no longer required imperial governors, communist commissars or occupying armies. Fiscal rules, credit ratings, international bond markets, central banking arrangements and supranational financial institutions performed many of the same structural functions with considerably lower political cost.

This continuity reveals the deeper logic of Bulgarization. Political regimes appear historically dramatic because they transform institutions visible to ordinary citizens. Financial systems evolve much more quietly. Governments celebrate revolutions while ministries of finance

renegotiate loans. New constitutions are written while debt obligations are rolled over. Monarchs, party secretaries, presidents and prime ministers all promise new beginnings, yet every administration inherits ledgers signed by its predecessors. Empires therefore no longer require permanence of ideology. They require only permanence of obligation. The clothes change continuously. The balance sheet remains.

Part III: Bulgarization: When Independence Becomes the Business Model of Empire

What, then, is the common denominator linking constitutional monarchy, military authoritarianism, socialism, liberal democracy and European integration? Why do political systems that define themselves through radically different ideologies repeatedly arrive at remarkably similar financial outcomes? Traditional political history explains these transformations through revolutions, elections, wars, constitutions and ideological conflicts. Economic history usually examines budgets, inflation, taxation or trade. Yet neither perspective fully explains the extraordinary continuity running through Bulgarian history from 1878 until the present. The constant is not a political party, a monarch, a dictator or even an economic doctrine. The constant is the continuous expansion of sovereign debt. The state changes its political identity while preserving its financial identity. Every regime inherits obligations accumulated by previous governments and justifies new borrowing by promising that this time development, modernisation, security or prosperity will finally repay the accumulated liabilities. The promise changes. The mechanism remains.

This recurring historical pattern deserves its own concept. It may be called Bulgarization.

Bulgarization is the historical process through which political independence gradually transforms into structural financial dependence through successive cycles of sovereign borrowing, geopolitical realignment, debt restructuring, default and renewed indebtedness. It describes a situation in which every new political elite inherits obligations created by its predecessors while simultaneously creating even larger obligations for those who follow. The debt itself becomes more permanent than any constitution. Governments appear and disappear. Political programmes are abandoned. Entire ideologies collapse. Yet sovereign obligations survive them all because the debt belongs not to governments but to the state itself. Future citizens therefore repay decisions made by people long dead, while every generation celebrates political renewal under financial contracts negotiated decades earlier.

Seen from this perspective, Bulgarian history resembles less a sequence of independent historical periods than a continuous financial cycle. Liberation creates the state. The state requires capital. Capital requires borrowing. Borrowing produces dependence. Dependence generates political crises. Political crises produce wars, defaults or revolutions. Revolutions promise a completely new beginning while inheriting the same financial obligations. New borrowing follows. The cycle begins again.

The remarkable feature of this process is that every crisis appears to justify precisely the mechanism that produced it. Military defeat requires reconstruction financed by loans. Industrial backwardness requires foreign investment financed by loans. Socialist modernisation requires imported technology financed by loans. Democratic transition requires economic stabilisation financed by loans. European convergence requires infrastructure financed by loans. Every political project presents borrowing as temporary and exceptional. Historically it

becomes permanent and structural. Debt gradually ceases to finance emergencies. Emergencies begin to justify debt.

One may therefore ask a disturbing question. Was political independence itself transformed into one of the most profitable financial innovations of modern capitalism?

From the perspective of international banking, an independent nation possesses characteristics that an imperial province never could. It has a parliament capable of approving sovereign borrowing. It possesses taxation powers guaranteeing future repayment. It owns public monopolies that may serve as collateral. It controls natural resources that can be concessioned or privatised. It commands an army protecting legal order. Above all, it can legally bind generations not yet born to honour contracts signed by the present government. Political sovereignty therefore becomes an extraordinary financial asset. Independence creates exactly the institutional framework required for sovereign debt markets to function.

The paradox is profound. National liberation movements sought to free peoples from imperial control. Yet successful liberation simultaneously produced new sovereign borrowers entering international financial markets. The battlefield shifted from fortresses and frontiers to stock exchanges, commercial banks and bond markets. The empire did not disappear with the withdrawal of imperial armies. It simply abandoned territorial administration in favour of financial administration. Empires discovered that lending could often achieve what occupation never could. Soldiers became unnecessary where interest payments proved sufficient.

This transformation also explains why ideology becomes surprisingly unimportant over long historical periods. From the viewpoint of sovereign debt, monarchy, fascism, communism, liberal democracy and technocratic governance represent different methods of administering the same fiscal organism. Political rhetoric changes because every generation requires a new legitimising language. Financial obligations, however, remain astonishingly indifferent to ideology. German bankers willingly lent to monarchies. Western commercial syndicates financed socialist Bulgaria during the 1970s. International institutions negotiated with post-communist governments after 1990. Financial capital demonstrates remarkable political flexibility because its primary concern is not ideology but repayment. Local elites may speak the language of nationalism, socialism, conservatism, liberalism or European integration. The creditor requires only continuity of obligation.

This is why Bulgarization should not be understood merely as Bulgarian history. It describes a general mechanism of modern political economy. Many newly independent states throughout the nineteenth and twentieth centuries experienced remarkably similar trajectories. Political liberation generated expectations of rapid modernisation. Modernisation required infrastructure. Infrastructure required external capital. External capital generated debt. Debt gradually limited political autonomy while increasing dependence upon larger financial centres. Local governments remained sovereign in constitutional theory while becoming increasingly constrained by external financial obligations. The empire ceased to govern directly because indirect governance proved more efficient.

Bulgaria nevertheless offers one of the clearest illustrations of this process because the cycle repeated itself with unusual regularity. The country escaped Ottoman financial obligations only to borrow from Vienna. It turned toward French creditors before the First World War. German finance accompanied military alliance. Soviet intervention rescued communist insolvency.

Western commercial banks financed socialist industrialisation. International institutions restructured post-communist bankruptcy. The Currency Board subordinated monetary policy to external discipline. The lev itself — the lion, perhaps the oldest symbol of Bulgarian independence — became first tied to the Deutschmark and later effectively to the euro. Even today Bulgaria formally possesses one of the lowest public debt ratios within the European Union while simultaneously operating within supranational fiscal rules and external monetary constraints. The form changes. The structural logic persists.

The most revealing aspect of this entire history is therefore not the accumulation of debt itself but the remarkable continuity of imperial power beneath successive political transformations. History textbooks usually describe the Ottoman Empire, the German sphere of influence, the Soviet Bloc and the European Union as fundamentally different historical worlds. Politically they certainly are. Financially they may represent successive institutional forms through which larger centres organise smaller peripheral economies. Empire has become progressively less visible precisely because it no longer requires governors, occupation or direct rule. It governs through contracts rather than commands, through refinancing rather than conquest, through balance sheets rather than battlefields.

The Bulgarian case therefore suggests a broader historical hypothesis. Perhaps the greatest innovation of modern empire was not military technology, industrial production or digital surveillance. Perhaps it was the discovery that sovereign independence itself could become one of the most effective instruments of long-term financial control. Nationalism and international finance, often presented as historical opposites, may instead have evolved together. The independent nation-state becomes the political theatre. Sovereign debt becomes the script. Governments change actors. The play continues.

Part IV: The Empire Behind Independence: Bulgarization and the Financial History of Modern Nations

The history of Bulgarian independence is usually told as a story of liberation, sacrifice and national rebirth. It begins with the Russo-Turkish War, continues through the restoration of the Bulgarian state, celebrates unification, independence, constitutional government and national survival, and eventually reaches the European Union as the apparent fulfilment of the long historical journey towards Europe. This political narrative is emotionally powerful because it follows the language through which every modern nation imagines itself: freedom, sovereignty, democracy and self-determination. Yet there exists another history running parallel to this patriotic chronology, one almost entirely invisible within traditional historiography. It is the financial history of Bulgarian independence. Read through this second chronology, the succession of governments, constitutions and revolutions becomes less important than the remarkable continuity of borrowing, refinancing, restructuring, default and renewed indebtedness. The names of political regimes change with extraordinary speed, while the logic of sovereign debt remains astonishingly stable. From this perspective the real protagonist of modern Bulgarian history is not the monarchy, the Communist Party, the democratic transition or European integration. It is the balance sheet.

This alternative reading does not deny the reality of liberation or the importance of national sovereignty. Rather, it asks a different question. What happens after liberation? How does a

newly independent state survive economically inside an international financial system already dominated by far larger powers? The Bulgarian experience suggests a striking answer. The political struggle against one empire coincided almost perfectly with entry into another. The Ottoman Empire exercised territorial sovereignty through military occupation, taxation and imperial administration. The new financial empire exercised influence through sovereign lending, bond markets, international banking syndicates and eventually supranational financial institutions. One empire ruled through soldiers. The other ruled through creditors. The remarkable historical innovation was that the second empire required no occupation at all. It required only independent states capable of issuing sovereign debt.

This is why the concept of Bulgarization extends beyond Bulgarian history. Bulgarization is not simply the history of Bulgaria. It is a model describing how political independence can gradually become a mechanism for permanent financial dependence. Every new government claims to represent a decisive historical break. Monarchists promise national consolidation. Military governments promise stability. Socialist governments promise equality and industrial modernisation. Liberal governments promise markets and democracy. European governments promise convergence and prosperity. Yet every one of these political projects requires capital, and almost every one finances its ambitions through external borrowing. The ideology changes because every generation requires a different political language. The financial mechanism barely changes at all. Debt survives revolutions more successfully than constitutions.

Perhaps the most revealing feature of this process is the changing appearance of empire itself. Classical imperialism depended upon visible domination. There were governors, occupying armies, customs officials, imperial capitals and colonial administrations. Modern financial empire possesses none of these characteristics. It is almost invisible precisely because it operates through institutions that appear politically neutral: central banks, sovereign bond markets, international rating agencies, commercial banks, investment funds, fiscal rules and supranational monetary arrangements. There is no imperial governor in Sofia. There is no foreign army stationed in every ministry. Yet governments continuously organise their domestic policies around external financial expectations, international borrowing costs and the confidence of global capital markets. Power has become abstract. Empire has become contractual.

The Bulgarian case therefore illustrates one of the deepest transformations of modern capitalism. During the nineteenth century the dominant question was who controls territory. During the twentieth century it became who controls industry. During the twenty-first century the decisive question increasingly becomes who controls debt. The state itself has gradually been transformed into a financial instrument. It taxes citizens, issues bonds, services liabilities and guarantees repayment across generations. National sovereignty, once understood as freedom from external domination, increasingly functions as the legal mechanism allowing governments to mortgage future national income. The greatest irony of modern history may therefore be that independence itself became one of the most profitable inventions of international finance. An independent state can borrow. A province cannot. National liberation thus created millions of new sovereign borrowers while simultaneously expanding the reach of global capital.

Seen across one hundred and fifty years, Bulgarian history suggests a conclusion that reaches far beyond the Balkans. The Empire never disappeared. It merely changed its form. Every

historical period announces the defeat of the previous order while preserving the deeper structures through which power reproduces itself. Ottoman rule gives way to European banking. European banking gives way to geopolitical finance. Soviet patronage gives way to Western credit. National currencies become subordinate to international monetary regimes. Local political elites continue to govern, but increasingly within financial architectures they neither created nor completely control. The appearance of sovereignty remains. The substance of sovereignty becomes progressively constrained.

This is ultimately the meaning of Bulgarization. It is the gradual transformation of political freedom into financial obligation, of national independence into sovereign collateral, and of the nation-state into the administrative manager of continuously expanding public debt. Bulgaria did not simply experience this process; it experienced it repeatedly and with extraordinary clarity. The same historical cycle returned under the monarchy, under socialism and under liberal democracy. Different flags flew above the parliament, different constitutions were adopted and different ideological languages dominated public life, yet the national debt continued its relentless expansion across regimes. The empire simply learned to govern without appearing imperial.

If the nineteenth century taught humanity how to create nations, the twentieth century demonstrated how to finance them, and the twenty-first century may reveal that the two processes were never separate. Political sovereignty and financial dependence evolved together. The independent nation became the perfect legal shell through which global capital could circulate, expand and reproduce itself across generations. The history of Bulgaria from 1878 to 2026 is therefore not merely a national history. It is the history of the transformation of empire itself — from territorial domination to financial sovereignty, from conquest to credit, from occupation to obligation. That transformation deserves a name. It is Bulgarization.

Conclusion: Bulgarization: From Balkanism to Self-Colonization and the Empire of Debt

Maria Todorova's concept of Balkanism transformed the study of Southeastern Europe by demonstrating that the Balkans are not merely a geographical region but a discursive construction through which Western Europe imagines its own internal "Other." The Balkans become Europe's unfinished self: neither fully Oriental nor fully European, perpetually suspended between civilisation and backwardness, modernity and tradition, rationality and violence. Bulgaria occupies a central position within this discourse. It is repeatedly described as a country that is almost European but never entirely so, forever carrying the burden of its Ottoman past while struggling to imitate Western modernity. Balkanism therefore explains how Europe looks at Bulgaria. It is a discourse produced from the outside, projecting onto the country a permanent condition of incompleteness and historical deficiency.

Alexander Kyosev shifted this discussion in a radically different direction through his influential theory of self-colonizing cultures. If Todorova analyses the external gaze, Kyosev analyses the internal one. Bulgaria, he argues, was never formally colonised by Western Europe. Instead, after Liberation its own elites voluntarily accepted Western Europe as the unquestionable model of civilisation. Rather than resisting cultural domination, they actively imported it. They looked at themselves through foreign eyes, discovering not achievements but absences. They believed that Bulgaria lacked history, institutions, architecture, industry,

universities, culture and modernity, and therefore concluded that everything had to be imported from the West. Sofia itself became an architectural manifesto of this psychological transformation as Ottoman urban space was systematically erased and replaced by Viennese boulevards, ministries and public buildings. Independence thus generated a peculiar paradox. The country became politically sovereign precisely while its elites increasingly believed that genuine civilisation always existed somewhere else. Bulgaria did not need to be colonised because, culturally speaking, it had already begun to colonise itself.

Yet there is a third dimension that neither Balkanism nor self-colonisation fully explains. Both remain primarily theories of representation and culture. Neither directly addresses the economic mechanism that accompanied political independence after 1878. The same elites who attempted to imitate Western civilisation also attempted to finance that imitation. Railways, ministries, armies, schools, ports, industrial enterprises and modern cities required capital that a poor agrarian economy simply did not possess. Consequently, every ambitious programme of Europeanisation was accompanied by sovereign borrowing from the very financial centres whose civilisation Bulgarian elites wished to emulate. The pursuit of modernity therefore became inseparable from the accumulation of external debt. Europeanisation was not only a cultural aspiration; it became an expensive financial project whose costs extended far beyond a single generation.

This article proposes that these three perspectives may be united within a broader concept: Bulgarization. Bulgarization begins where Balkanism and self-colonisation intersect but extends them into the language of political economy. If Balkanism describes the external discourse through which the West imagines Bulgaria as permanently backward, and self-colonisation describes the internal desire of Bulgarian elites to imitate the West, Bulgarization describes the economic mechanism through which both processes become materially organised. The country is first imagined as incomplete, then convinced that it must become like Europe, and finally encouraged to finance this transformation through external borrowing. Cultural inferiority gradually becomes financial dependency. The psychological need for recognition becomes the economic need for credit.

The historical irony is extraordinary. Liberation from the Ottoman Empire was intended to restore sovereignty. Instead, sovereignty itself became the principal financial asset of the new state. Under Ottoman administration Bulgaria could not issue sovereign bonds because it possessed no sovereign government. Independence created precisely the legal institutions required for international lending. Parliament could approve loans. Ministries could sign contracts. Future tax revenues could guarantee repayment. Public monopolies could serve as collateral. National sovereignty itself became convertible into financial capital. In this sense, independence was not simply a political achievement; it became one of the greatest institutional innovations available to international banking. The new nation-state acquired exactly those legal capacities that made long-term sovereign indebtedness possible.

From this perspective, the succession of Bulgarian political regimes appears in a new light. Monarchy borrowed to modernise the country and finance national unification. Military governments inherited these liabilities while contracting new ones. Socialism officially abolished capitalism but secretly relied on Western credit, Soviet bailouts and repeated debt restructuring. Liberal democracy inherited communist obligations, defaulted once more, accepted international supervision and ultimately surrendered monetary sovereignty through

the Currency Board. European integration preserved political democracy while embedding fiscal and monetary policy within supranational structures. Every regime proclaimed a historical rupture. Financially, each represented another chapter in the same expanding ledger. Political revolutions repeatedly interrupted governments. They never interrupted the debt.

This continuity reveals perhaps the deepest paradox of modern history. The Empire never disappeared after 1878. It merely transformed its operating system. The Ottoman Empire governed through military administration. The financial empire governs through sovereign lending. Yesterday's governor has become today's creditor. Yesterday's tribute has become today's interest payment. Yesterday's occupation has become today's refinancing agreement. Territorial empire has gradually evolved into financial empire, while the nation-state has become its preferred administrative unit. Local elites govern domestically, but increasingly within financial structures created elsewhere. Sovereignty survives symbolically while becoming progressively constrained economically, monetarily and fiscally.

This is ultimately the meaning of Bulgarization. It is not merely a Bulgarian phenomenon but a conceptual model for understanding how modern empires reproduce themselves without colonies. Bulgarization describes the transformation of political liberation into financial dependence, of national sovereignty into sovereign collateral, and of patriotic independence into a permanent cycle of borrowing, restructuring, default and renewed indebtedness. It unites Todorova's Balkanism, Kyosev's self-colonizing cultures, and the political economy of sovereign debt into a single historical process. The West first invents the image of Balkan backwardness, local elites internalise that image and seek to escape it through imitation, and international finance transforms that desire into a profitable mechanism of permanent indebtedness. The empire changes its language, its institutions and even its ideology, but not its function. It no longer conquers nations. It finances them. It no longer occupies territory. It manages obligations. The history of Bulgaria since 1878 therefore suggests that the greatest achievement of modern empire was not the abolition of sovereignty but its financialisation. Independence did not end empire. It became one of empire's most successful inventions.

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